

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Auburn Hills Library	County Oakland
Audit Date December 31, 2003	Opinion Date May 28, 2004	Date Accountant Report Submitted To State: June 18, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Auburn Hills Library

Financial Report
December 31, 2003

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Independent Auditor's Report

To the Auburn Hills Library Board
City of Auburn Hills, Michigan

We have audited the accompanying general purpose financial statements of Auburn Hills Library as of December 31, 2003 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Auburn Hills Library Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Auburn Hills Library as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 28, 2004

Auburn Hills Library

Combined Balance Sheet General Fund and Account Groups December 31, 2003

	General Fund	General Fixed Assets Account Group	General Long-term Debt Account Group	Total Primary Government (Memorandum Only)
Assets				
Investments (Note 2)	\$ 527,446	\$ -	\$ -	\$ 527,446
Property taxes receivable (Note 1)	1,277,295	-	-	1,277,295
Due from General Fund	3,805	-	-	3,805
Capital assets (Note 3)	-	290,060	-	290,060
Amount to be provided for long-term debt	-	-	85,724	85,724
Total assets	<u>\$ 1,808,546</u>	<u>\$ 290,060</u>	<u>\$ 85,724</u>	<u>\$ 2,184,330</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 102,454	\$ -	\$ -	\$ 102,454
Accrued payroll	42,678	-	-	42,678
Deferred revenue (Note 1)	1,277,295	-	-	1,277,295
Long-term debt (Note 4)	-	-	85,724	85,724
Total liabilities	1,422,427	-	85,724	1,508,151
Fund Equity				
Investment in general fixed assets	-	290,060	-	290,060
Fund balance - Unreserved:				
Designated for contributions	17,892	-	-	17,892
Undesignated	368,227	-	-	368,227
Total fund equity	<u>386,119</u>	<u>290,060</u>	<u>-</u>	<u>676,179</u>
Total liabilities and fund equity	<u>\$ 1,808,546</u>	<u>\$ 290,060</u>	<u>\$ 85,724</u>	<u>\$ 2,184,330</u>

Auburn Hills Library

Combined Statement of Revenue, Expenditures, and Fund Balance - Budget and Actual Governmental Fund Type - General Fund Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes - City of Auburn Hills	\$ 1,195,954	\$ 1,203,125	\$ 7,171
Contributions and donations	500	4,182	3,682
State penal fines	22,000	30,437	8,437
State aid	20,805	6,386	(14,419)
Interest and other	36,500	27,051	(9,449)
Total revenue	1,275,759	1,271,181	(4,578)
Expenditures			
Salaries	500,000	486,928	13,072
Fringe benefits	150,425	159,022	(8,597)
Supplies	47,000	27,543	19,457
Administrative	216,759	212,643	4,116
Communications	8,000	5,790	2,210
Rent	84,651	84,651	-
Memberships and dues	13,000	12,463	537
Capital outlay	194,500	183,829	10,671
Maintenance	9,000	6,906	2,094
Insurance	7,500	9,607	(2,107)
Tax refunds	70,000	141,115	(71,115)
Other	24,924	22,231	2,693
Total expenditures	1,325,759	1,352,728	(26,969)
Excess of Expenditures Over Revenue	(50,000)	(81,547)	<u><u>\$ (31,547)</u></u>
Fund Balance - Beginning of year	<u>467,666</u>	<u>467,666</u>	
Fund Balance - End of year	<u><u>\$ 417,666</u></u>	<u><u>\$ 386,119</u></u>	

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Auburn Hills Library (the "Library") is located in the City of Auburn Hills, Michigan. The Library is primarily funded through a tax levy, fines, and fees. Revenue is used to operate and staff the Library. The Library facility is owned by the City of Auburn Hills. The Library pays rent on a month-to-month basis.

The accounting policies of Auburn Hills Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Library is governed by a six-member elected board. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Fund Accounting

The accounts of Auburn Hills Library include a General Fund, a General Fixed Assets Account Group, and a General Long-term Debt Account Group, each of which is considered a separate accounting entity.

General Fund - The General Fund contains the records of the financial activities of Auburn Hills Library. General Fund activities are financed by property taxes and other revenue.

Fixed Assets and Long-term Liabilities - Fixed assets are capitalized in the General Fixed Assets Account Group, rather than in the General Fund. Such assets are recorded as expenditures in the General Fund at the time of purchase. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from Library revenues are accounted for in the General Long-term Debt Account Group.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Investments - Investments are recorded at fair value.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The General Fund follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Fines, contributions, and certain miscellaneous revenue are recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on the following December 1. These taxes are billed on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Memorandum-only Totals - The total data presented is the aggregate of the General Fund and the account groups and is presented for analysis purposes only. No consolidations or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Budget Information - The annual budget is prepared by the Library Board and the City of Auburn Hills' management and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

The budget has been adopted for the Library activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the Library Board is included in the general purpose financial statements subtotals for total revenue and total expenditures. The remaining budget-to-actual detail is used to provide additional analysis for management purposes.

Note 2 - Investments

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles.

The Library's investments during the year consisted solely of bank investment pools. There was \$527,446 invested in such funds at December 31, 2003, at which time the market value of such funds approximated cost. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, investment pools are not categorized because they do not typically exist in physical or book-entry form. The Library believes that the investments in these funds comply with the investment authority noted above.

Note 3 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Furniture and equipment	\$ 234,231	\$ 2,537	\$ -	\$ 236,768
Books and recordings	56,644	-	3,352	53,292
Total	<u>\$ 290,875</u>	<u>\$ 2,537</u>	<u>\$ 3,352</u>	<u>\$ 290,060</u>

Note 3 - Capital Assets (Continued)

Books, recordings, microfiche, toys, and puppets included on the shelves are recorded at \$1 per item. Other fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. The replacement value of books and periodicals, based on average cost, was approximately \$1,122,000 at December 31, 2003.

Note 4 - Long-term Debt

The long-term debt reported represents an estimate of the Library's potential exposure for pending property tax appeals for assessments dating back to 1999.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these potential risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Note 6 - Upcoming Reporting Change

For the year beginning January 1, 2004, the Library plans to adopt GASB Statement Number 34. This will revise the information being reported in these financial statements. Information is not available to present pro forma data that would show the effect of this future change.